TPDS 1

Wednesday, August 14, 2013 9:18 PM

- No plan = emotion driven results.
- Detailed organized plan = objective end results.
- Manage your time wisely, do not spend countless hours on analysis without a clear objective or premise to it.
- Spend quality time with "Macro Economic" analysis and higher time frame S/R.
- Nothing significant occurs without first leaving tell-tale signs on a long term basis.
- If there is a significant price move, the higher time frame charts (monthly, weekly, daily, 4 hour, 1 hour [nothing lower]) will have a clue as to what the catalyst of the move was prior to it unfolding.
- Follow the interest rates.
- Do not focus on the amount of money you hope to make.
- Do not worry about losses.
- Do not worry about missed trades.
- Professional traders are not rushed when getting into the market. They react slowly when trying to make money and quickly when trying to preserve money.
- The least important process in trading is the entry signal.
- Impeccable risk control is the first component to any successful trading plan.
- Flawless equity management is essential to every successful trading plan.
- Fundamentals at any measure can always assist a trader in trade plan development.
- Intermarket analysis is key to a well-balanced trading plan.
- Technical analysis and a comprehensive approach to sound tools & concepts is the framework to exercising a trade plan. Understand which tools you are going to use and stick to those.
- Executing a top down analysis with all the above components will deliver optimal results while controlling RISK.
- Over-confidence is counter-productive.
- Never assume your well designed trading plan won't hit a losing streak.
- Always reflect on your wins as a victory and your losses as a learning opportunity.
- It will take preparation in advance to weather periods of inevitable drawdown. Journal your results both good and bad. It will help remind you that these are temporary events and you will trade out of them.
- Do not over-drive your trading plan or attempt to trade outside it's intended plan of action. Do not turn a position trade into a trade of multiple different time frames. If your analysis suggests it's a position trade, then trade it like that.
- Every great trader has one thing in common and it is the respect and understanding that the risk will always outweigh the reward unless it is properly managed. It's not about the profits, it's about controlling risk.
- 2% risk is more than enough with the power of compound interest. You just need time and consistency.
- Proficient consistent traders focus on the reality that their trading will not be perfect.
- You can make all the money you will ever need risking 2% and many times even less than that per trade.
- Wealth is built with time, not excessive risk exposure.
- The goal is to steadily build your account with as little drawdown as humanly possible.
- Your trading is not hinged on the premise that you must hit home run profits every trade or even weekly.
- Your trading career should be built on a low, yet sufficient baseline target based on % return or pips per month/week.
- Trading with risk controlled and profiting a net gain of 25 pips per week should be a new trader's goal.
- After consistently harvesting 25 pips per week, graduate to targeting 50 pips.
- After 50 pips per week is achieved, aim for 75 pips and eventually move beyond as your experience and tolerance for risk increases.
- The best days of the week are Tuesday, Wednesday, & Thursday regardless of what pair you trade.

CASE STUDY: 25 PIPS PER WEEK

		Monthly Equity	Monthly Goal 6%	$ Risk Per Trade 2.0%	$ Per Pip 30 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$150.00	$50.00	$1.67	90	23	5	8	11
#2	February 2013	$2,650.00	$159.00	$53.00	$1.77	90	23	5	8	11
#3	March 2013	$2,809.00	$168.54	$56.18	$1.87	90	23	5	8	11
#4	April 2013	$2,977.54	$178.65	$59.55	$1.99	90	23	5	8	11
#5	May 2013	$3,156.19	$189.37	$63.12	$2.10	90	23	5	8	11
#6	June 2013	$3,345.56	$200.73	$66.91	$2.23	90	23	5	8	11
#7	July 2013	$3,546.30	$212.78	$70.93	$2.36	90	23	5	8	11
#8	August 2013	$3,759.08	$225.54	$75.18	$2.51	90	23	5	8	11
#9	September 2013	$3,984.62	$239.08	$79.69	$2.66	90	23	5	8	11
#10	October 2013	$4,223.70	$253.42	$84.47	$2.82	90	23	5	8	11
#11	November 2013	$4,477.12	$268.63	$89.54	$2.98	90	23	5	8	11
#12	December 2013	$4,745.75	$284.74	$94.91	$3.16	90	23	5	8	11
#13	January 2014	$5,030.49	$301.83	$100.61	$3.35	90	23	5	8	11
#14	February 2014	$5,332.32	$319.94	$106.65	$3.55	90	23	5	8	11
#15	March 2014	$5,652.26	$339.14	$113.05	$3.77	90	23	5	8	11
#16	April 2014	$5,991.40	$359.48	$119.83	$3.99	90	23	5	8	11
#17	May 2014	$6,350.88	$381.05	$127.02	$4.23	90	23	5	8	11
#18	June 2014	$6,731.93	$403.92	$134.64	$4.49	90	23	5	8	11
#19	July 2014	$7,135.85	$428.15	$142.72	$4.76	90	23	5	8	11
#20	August 2014	$7,564.00	$453.84	$151.28	$5.04	90	23	5	8	11
#21	September 2014	$8,017.84	$481.07	$160.36	$5.35	90	23	5	8	11
#22	October 2014	$8,498.91	$509.93	$169.98	$5.67	90	23	5	8	11
#23	November 2014	$9,008.84	$540.53	$180.18	$6.01	90	23	5	8	11
#24	December 2014	$9,549.37	$572.96	$190.99	$6.37	90	23	5	8	11
#25	January 2015	$10,122.34	$607.34	$202.45	$6.75	90	23	5	8	11

CASE STUDY: 50 PIPS PER WEEK

		Monthly Equity	Monthly Goal 10%	$ Risk Per Trade 1.5%	$ Per Pip 30 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$250.00	$37.50	$1.25	200	50	10	17	25
#2	February 2013	$2,750.00	$275.00	$41.25	$1.38	200	50	10	17	25
#3	March 2013	$3,025.00	$302.50	$45.38	$1.51	200	50	10	17	25
#4	April 2013	$3,327.50	$332.75	$49.91	$1.66	200	50	10	17	25
#5	May 2013	$3,660.25	$366.03	$54.90	$1.83	200	50	10	17	25
#6	June 2013	$4,026.28	$402.63	$60.39	$2.01	200	50	10	17	25
#7	July 2013	$4,428.90	$442.89	$66.43	$2.21	200	50	10	17	25
#8	August 2013	$4,871.79	$487.18	$73.08	$2.44	200	50	10	17	25
#9	September 2013	$5,358.97	$535.90	$80.38	$2.68	200	50	10	17	25
#10	October 2013	$5,894.87	$589.49	$88.42	$2.95	200	50	10	17	25
#11	November 2013	$6,484.36	$648.44	$97.27	$3.24	200	50	10	17	25
#12	December 2013	$7,132.79	$713.28	$106.99	$3.57	200	50	10	17	25
#13	January 2014	$7,846.07	$784.61	$117.69	$3.92	200	50	10	17	25
#14	February 2014	$8,630.68	$863.07	$129.46	$4.32	200	50	10	17	25
#15	March 2014	$9,493.75	$949.37	$142.41	$4.75	200	50	10	17	25
#16	April 2014	$10,443.12	$1,044.31	$156.65	$5.22	200	50	10	17	25
#17	May 2014	$11,487.43	$1,148.74	$172.31	$5.74	200	50	10	17	25
#18	June 2014	$12,636.18	$1,263.62	$189.54	$6.32	200	50	10	17	25
#19	July 2014	$13,899.79	$1,389.98	$208.50	$6.95	200	50	10	17	25
#20	August 2014	$15,289.77	$1,528.98	$229.35	$7.64	200	50	10	17	25
#21	September 2014	$16,818.75	$1,681.87	$252.28	$8.41	200	50	10	17	25
#22	October 2014	$18,500.62	$1,850.06	$277.51	$9.25	200	50	10	17	25
#23	November 2014	$20,350.69	$2,035.07	$305.26	$10.18	200	50	10	17	25
#24	December 2014	$22,385.76	$2,238.58	$335.79	$11.19	200	50	10	17	25
#25	January 2015	$24,624.33	$2,462.43	$369.36	$12.31	200	50	10	17	25

CASE STUDY: 75 PIPS PER WEEK

- This is astonishing, you can build a career on this.

		Monthly Equity	Monthly Goal 10%	$ Risk Per Trade 1.0%	$ Per Pip 30 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$250.00	$25.00	$0.83	300	75	15	25	38
#2	February 2013	$2,750.00	$275.00	$27.50	$0.92	300	75	15	25	38
#3	March 2013	$3,025.00	$302.50	$30.25	$1.01	300	75	15	25	38
#4	April 2013	$3,327.50	$332.75	$33.28	$1.11	300	75	15	25	38
#5	May 2013	$3,660.25	$366.03	$36.60	$1.22	300	75	15	25	38
#6	June 2013	$4,026.28	$402.63	$40.26	$1.34	300	75	15	25	38
#7	July 2013	$4,428.90	$442.89	$44.29	$1.48	300	75	15	25	38
#8	August 2013	$4,871.79	$487.18	$48.72	$1.62	300	75	15	25	38
#9	September 2013	$5,358.97	$535.90	$53.59	$1.79	300	75	15	25	38
#10	October 2013	$5,894.87	$589.49	$58.95	$1.96	300	75	15	25	38
#11	November 2013	$6,484.36	$648.44	$64.84	$2.16	300	75	15	25	38
#12	December 2013	$7,132.79	$713.28	$71.33	$2.38	300	75	15	25	38
#13	January 2014	$7,846.07	$784.61	$78.46	$2.62	300	75	15	25	38
#14	February 2014	$8,630.68	$863.07	$86.31	$2.88	300	75	15	25	38
#15	March 2014	$9,493.75	$949.37	$94.94	$3.16	300	75	15	25	38
#16	April 2014	$10,443.12	$1,044.31	$104.43	$3.48	300	75	15	25	38
#17	May 2014	$11,487.43	$1,148.74	$114.87	$3.83	300	75	15	25	38
#18	June 2014	$12,636.18	$1,263.62	$126.36	$4.21	300	75	15	25	38
#19	July 2014	$13,899.79	$1,389.98	$139.00	$4.63	300	75	15	25	38
#20	August 2014	$15,289.77	$1,528.98	$152.90	$5.10	300	75	15	25	38
#21	September 2014	$16,818.75	$1,681.87	$168.19	$5.61	300	75	15	25	38
#22	October 2014	$18,500.62	$1,850.06	$185.01	$6.17	300	75	15	25	38
#23	November 2014	$20,350.69	$2,035.07	$203.51	$6.78	300	75	15	25	38
#24	December 2014	$22,385.76	$2,238.58	$223.86	$7.46	300	75	15	25	38
#25	January 2015	$24,624.33	$2,462.43	$246.24	$8.21	300	75	15	25	38

- Small consistency still surprises, little things over a period of time leads to **big** results.
- Build in your trading plan flexibility.
- You might have a weekly goal that may require shorter term day trades or scalps to achieve.
- Do not force yourself into hunting and believing you need to make your goals daily and/or weekly.
- Your weekly goals might fall short a week or 2 and still be met in the course of the same month. It may just average out.
- Your monthly goal might average out over the quarter or the entire year, don't be so rigid and allow the market to pay you when and how it will.
- Your goals might fall short of your forecast and hopes, however do not be disappointed if this occurs. You will still be heading in the right direction.
- Below is an example of success without home runs:

		Monthly Equity	Monthly Goal 20%	$ Risk Per Trade 2.0%	$ Per Pip 20 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$500.00	$50.00	$2.50	200	50	10	17	25
#2	February 2013	$3,000.00	$600.00	$60.00	$3.00	200	50	10	17	25
#3	March 2013	$3,600.00	$720.00	$72.00	$3.60	200	50	10	17	25
#4	April 2013	$4,320.00	$864.00	$86.40	$4.32	200	50	10	17	25
#5	May 2013	$5,184.00	$1,036.80	$103.68	$5.18	200	50	10	17	25
#6	June 2013	$6,220.80	$1,244.16	$124.42	$6.22	200	50	10	17	25
#7	July 2013	$7,464.96	$1,492.99	$149.30	$7.46	200	50	10	17	25
#8	August 2013	$8,957.95	$1,791.59	$179.16	$8.96	200	50	10	17	25
#9	September 2013	$10,749.54	$2,149.91	$214.99	$10.75	200	50	10	17	25
#10	October 2013	$12,899.45	$2,579.89	$257.99	$12.90	200	50	10	17	25
#11	November 2013	$15,479.34	$3,095.87	$309.59	$15.48	200	50	10	17	25
#12	December 2013	$18,575.21	$3,715.04	$371.50	$18.58	200	50	10	17	25
#13	January 2014	$22,290.25	$4,458.05	$445.81	$22.29	200	50	10	17	25
#14	February 2014	$26,748.30	$5,349.66	$534.97	$26.75	200	50	10	17	25
#15	March 2014	$32,097.96	$6,419.59	$641.96	$32.10	200	50	10	17	25
#16	April 2014	$38,517.55	$7,703.51	$770.35	$38.52	200	50	10	17	25
#17	May 2014	$46,221.06	$9,244.21	$924.42	$46.22	200	50	10	17	25
#18	June 2014	$55,465.28	$11,093.06	$1,109.31	$55.47	200	50	10	17	25
#19	July 2014	$66,558.33	$13,311.67	$1,331.17	$66.56	200	50	10	17	25
#20	August 2014	$79,870.00	$15,974.00	$1,597.40	$79.87	200	50	10	17	25
#21	September 2014	$95,844.00	$19,168.80	$1,916.88	$95.84	200	50	10	17	25
#22	October 2014	$115,012.80	$23,002.56	$2,300.26	$115.01	200	50	10	17	25
#23	November 2014	$138,015.36	$27,603.07	$2,760.31	$138.02	200	50	10	17	25
#24	December 2014	$165,618.43	$33,123.69	$3,312.37	$165.62	200	50	10	17	25
#25	January 2015	$198,742.12	$39,748.42	$3,974.84	$198.74	200	50	10	17	25
#26	February 2015	$238,490.54	$47,698.11	$4,769.81	$238.49	200	50	10	17	25
#27	March 2015	$286,188.65	$57,237.73	$5,723.77	$286.19	200	50	10	17	25
#28	April 2015	$343,426.38	$68,685.28	$6,868.53	$343.43	200	50	10	17	25
#29	May 2015	$412,111.66	$82,422.33	$8,242.23	$412.11	200	50	10	17	25
#30	June 2015	$494,533.99	$98,906.80	$9,890.68	$494.53	200	50	10	17	25
#31	July 2015	$593,440.78	$118,688.16	$11,868.82	$593.44	200	50	10	17	25
#32	August 2015	$712,128.94	$142,425.79	$14,242.58	$712.13	200	50	10	17	25
#33	September 2015	$854,554.73	$170,910.95	$17,091.09	$854.55	200	50	10	17	25
#34	October 2015	$1,025,465.68	$205,093.14	$20,509.31	$1,025.47	200	50	10	17	25

- Methodically take 1st profits.
- Before entering any trade it is crucial for you to know at what level you will take 1st profit and reduce risk.
- Limiting risk after taking half of your original position off will remove the emotional & psychological pressures you may feel while the position is open. A lot of times trades are closed just because you want to see that profit registered in your account, taking half the position off can help with this emotion. Move your stop loss to break even or at least to half of what you originally risked.
- Taking 1st profit at a predetermined level will assist in building confidence and removes the "sting" of the trade losing should it reverse on you and stop you out at break-even.
- The 1st example below is taking profits at 30 pips with 20 pip stops and getting stopped out at break even after taking 1st profits.

- The 2nd example below is displaying what would happen if the 2nd portion captures the ADR.

STOPPED AT BREAK-EVEN AFTER 1ST PROFIT

		Monthly Equity	Monthly Goal 6%	$ Risk Per Trade 1.0%	$ Per Pip 20 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$150.00	$25.00	$1.25	120	30	6	10	15
#2	February 2013	$2,650.00	$159.00	$26.50	$1.33	120	30	6	10	15
#3	March 2013	$2,809.00	$168.54	$28.09	$1.40	120	30	6	10	15
#4	April 2013	$2,977.54	$178.65	$29.78	$1.49	120	30	6	10	15
#5	May 2013	$3,156.19	$189.37	$31.56	$1.58	120	30	6	10	15
#6	June 2013	$3,345.56	$200.73	$33.46	$1.67	120	30	6	10	15
#7	July 2013	$3,546.30	$212.78	$35.46	$1.77	120	30	6	10	15
#8	August 2013	$3,759.08	$225.54	$37.59	$1.88	120	30	6	10	15
#9	September 2013	$3,984.62	$239.08	$39.85	$1.99	120	30	6	10	15
#10	October 2013	$4,223.70	$253.42	$42.24	$2.11	120	30	6	10	15
#11	November 2013	$4,477.12	$268.63	$44.77	$2.24	120	30	6	10	15
#12	December 2013	$4,745.75	$284.74	$47.46	$2.37	120	30	6	10	15
#13	January 2014	$5,030.49	$301.83	$50.30	$2.52	120	30	6	10	15
#14	February 2014	$5,332.32	$319.94	$53.32	$2.67	120	30	6	10	15
#15	March 2014	$5,652.26	$339.14	$56.52	$2.83	120	30	6	10	15
#16	April 2014	$5,991.40	$359.48	$59.91	$3.00	120	30	6	10	15
#17	May 2014	$6,350.88	$381.05	$63.51	$3.18	120	30	6	10	15
#18	June 2014	$6,731.93	$403.92	$67.32	$3.37	120	30	6	10	15
#19	July 2014	$7,135.85	$428.15	$71.36	$3.57	120	30	6	10	15
#20	August 2014	$7,564.00	$453.84	$75.64	$3.78	120	30	6	10	15
#21	September 2014	$8,017.84	$481.07	$80.18	$4.01	120	30	6	10	15
#22	October 2014	$8,498.91	$509.93	$84.99	$4.25	120	30	6	10	15
#23	November 2014	$9,008.84	$540.53	$90.09	$4.50	120	30	6	10	15
#24	December 2014	$9,549.37	$572.96	$95.49	$4.77	120	30	6	10	15
#25	January 2015	$10,122.34	$607.34	$101.22	$5.06	120	30	6	10	15

SECOND PORTION CAPTURES ADR

		Monthly Equity	Monthly Goal 20%	$ Risk Per Trade 1.0%	$ Per Pip 20 Pip Stop	Monthly Pip Goal	Weekly Pip Goal	Daily Pip Goal	3 x Week Basis	2 x Week Basis
#1	January 2013	$2,500.00	$500.00	$25.00	$1.25	400	100	20	33	50
#2	February 2013	$2,650.00	$530.00	$26.50	$1.33	400	100	20	33	50
#3	March 2013	$3,180.00	$636.00	$31.80	$1.59	400	100	20	33	50
#4	April 2013	$3,816.00	$763.20	$38.16	$1.91	400	100	20	33	50
#5	May 2013	$4,579.20	$915.84	$45.79	$2.29	400	100	20	33	50
#6	June 2013	$5,495.04	$1,099.01	$54.95	$2.75	400	100	20	33	50
#7	July 2013	$6,594.05	$1,318.81	$65.94	$3.30	400	100	20	33	50
#8	August 2013	$7,912.86	$1,582.57	$79.13	$3.96	400	100	20	33	50
#9	September 2013	$9,495.43	$1,899.09	$94.95	$4.75	400	100	20	33	50
#10	October 2013	$11,394.51	$2,278.90	$113.95	$5.70	400	100	20	33	50
#11	November 2013	$13,673.42	$2,734.68	$136.73	$6.84	400	100	20	33	50
#12	December 2013	$16,408.10	$3,281.62	$164.08	$8.20	400	100	20	33	50
#13	January 2014	$19,689.72	$3,937.94	$196.90	$9.84	400	100	20	33	50
#14	February 2014	$23,627.67	$4,725.53	$236.28	$11.81	400	100	20	33	50
#15	March 2014	$28,353.20	$5,670.64	$283.53	$14.18	400	100	20	33	50
#16	April 2014	$34,023.84	$6,804.77	$340.24	$17.01	400	100	20	33	50
#17	May 2014	$40,828.61	$8,165.72	$408.29	$20.41	400	100	20	33	50
#18	June 2014	$48,994.33	$9,798.87	$489.94	$24.50	400	100	20	33	50
#19	July 2014	$58,793.19	$11,758.64	$587.93	$29.40	400	100	20	33	50
#20	August 2014	$70,551.83	$14,110.37	$705.52	$35.28	400	100	20	33	50
#21	September 2014	$84,662.20	$16,932.44	$846.62	$42.33	400	100	20	33	50
#22	October 2014	$101,594.64	$20,318.93	$1,015.95	$50.80	400	100	20	33	50
#23	November 2014	$121,913.57	$24,382.71	$1,219.14	$60.96	400	100	20	33	50
#24	December 2014	$146,296.28	$29,259.26	$1,462.96	$73.15	400	100	20	33	50
#25	January 2015	$175,555.54	$35,111.11	$1,755.56	$87.78	400	100	20	33	50

INTEREST RATES

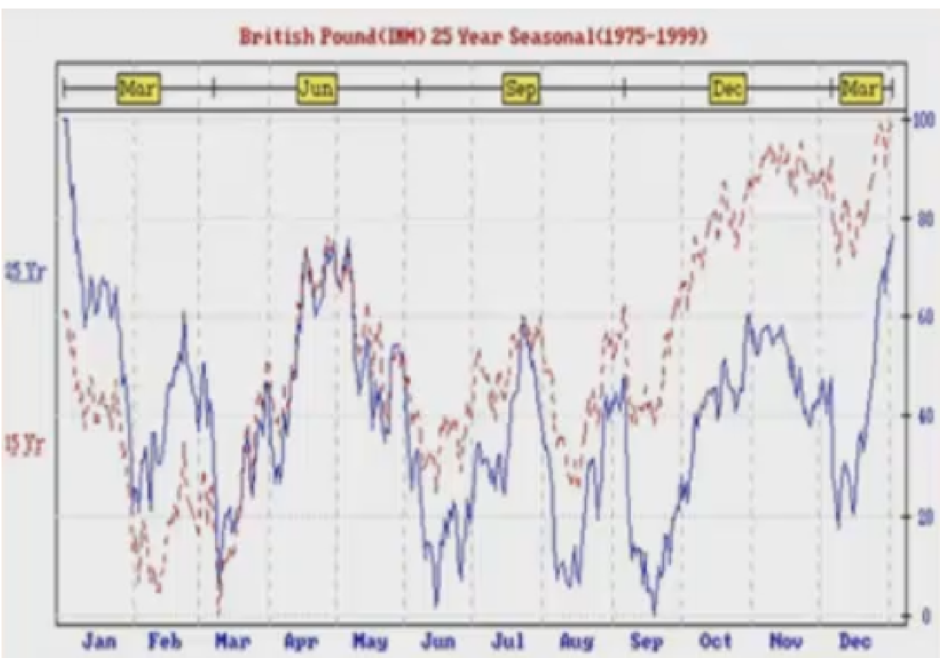
- Get to know the interest rate markets.
- The entire global markets are inter-connected and spin on the gyrations of interest rates.
- Each country we trade currencies with has their own interest rates and thus these rates influence the demand or disenchantment with its currency.
- The market will always seek yield and the higher the yield the bigger the demand on average.
- There are several types of interest rates that traders can track and utilize to determine a trade idea.
- Understanding how they trade and the yields will make long term trends easier to determine.
- Track the countries interest rates/overnight lending rates.



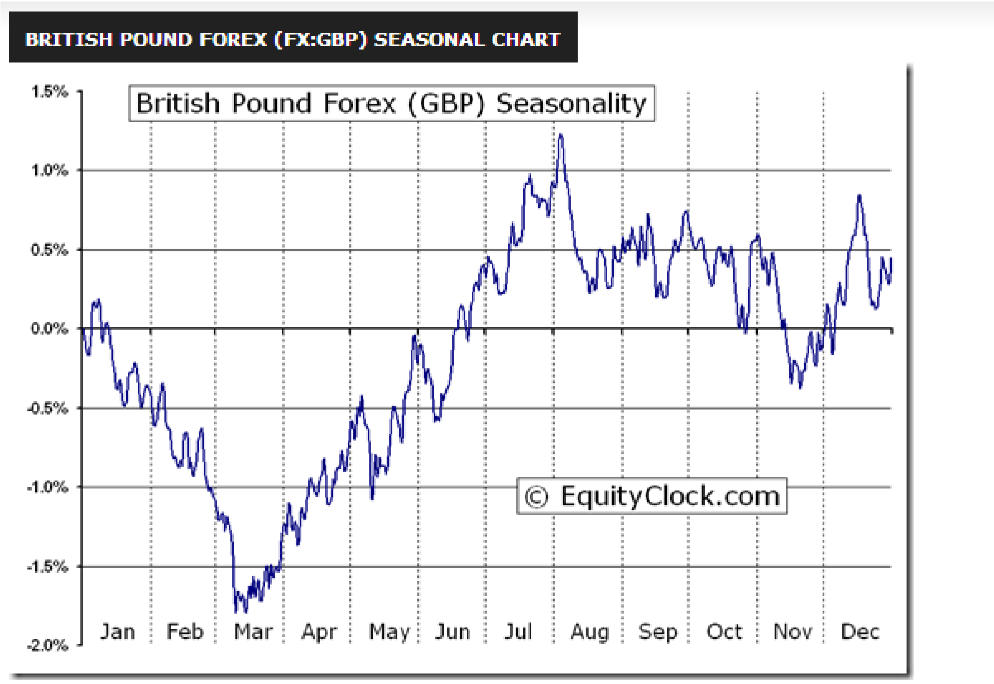
- The currency markets trend long term based on interest rates.
- Understanding which country has higher interest rates and which have lower rates can be a differential play or carry trade. Not only could your trade profit, but interest is paid on top of that.
- If the country sees lowering rates, this will weaken the base currency.. on the contrary, if the rates are increasing.. this will prop up the country's currency.

<u>MILLION DOLLAR FUTURES INSIGHTS</u>

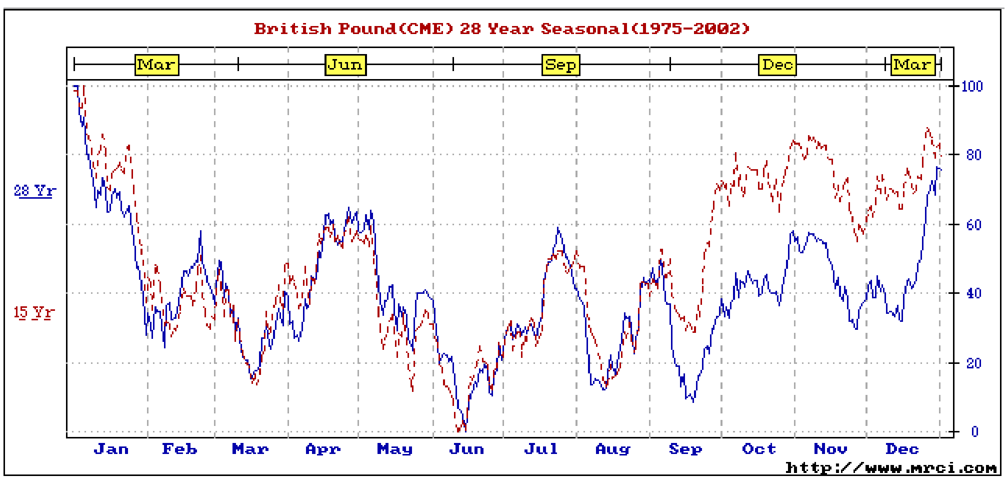
- Below is the chart that ICT provided in the presentation, I found other examples online as well below that chart:



- Below is the British Pound (GBP) seasonal tendencies graph:



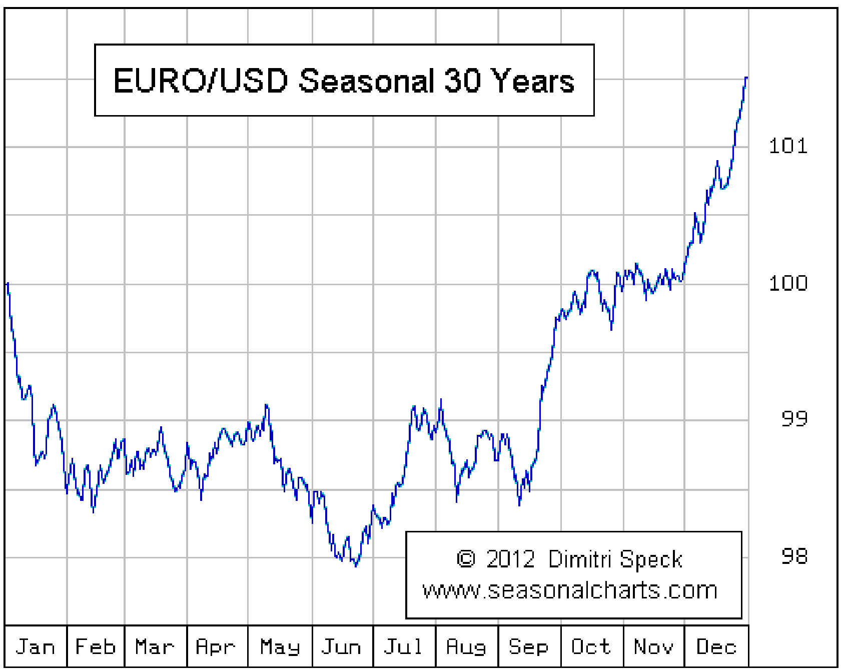
The above chart represents the seasonality for British Pound Forex (FX:GBP) for the past 20 years.

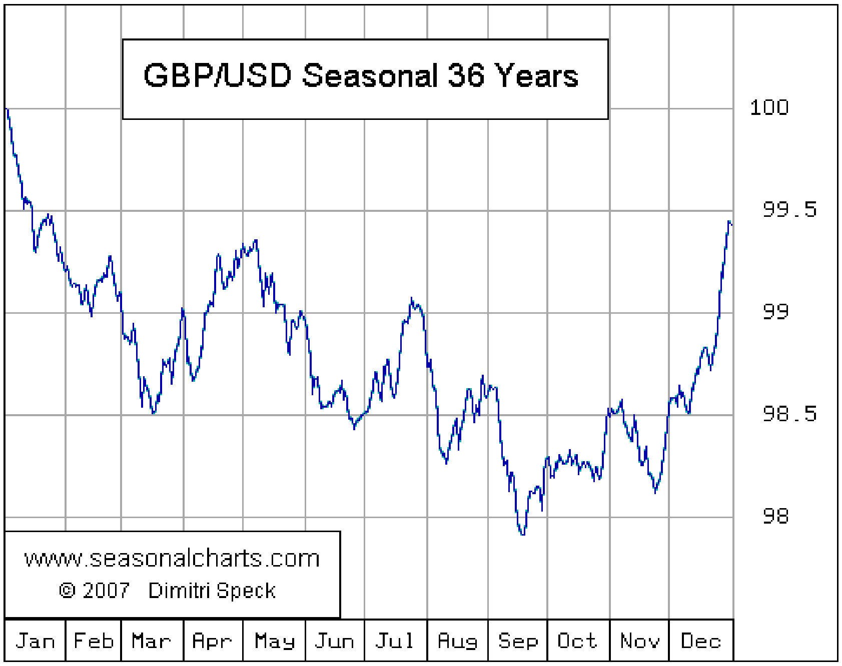


- The commodity market is one such market that has very cyclical seasonal tendencies that have an uncanny ability to forecast major price swings.
- The British Pound typically makes major lows in February - March, June, Sep - Oct, & December.
- The British Pound typically makes major highs in April - May & July - August.
- US Treasuries and their seasonal tendencies below:



- Below are other seasonality charts found on seasonalcharts.com







- As foreign currencies go down, the bond market goes up.
- As bonds go up the yield goes down because the yields do the opposite of bond prices.
- You can see that bond prices seasonally go up in April-May which means that interest rates would be going down. If interest rates are going down, that would drive foreign currencies lower. There wouldn't be any demand for them and there would be a flight to quality. The U.S. Dollar would rally. This is a risk off scenario.
- As bonds are sliding from January-February lower INTO April-May that means interest rates are increasing. There will be demand for foreign currencies. This would be a risk on scenario and the U.S. Dollar would be falling.

COT & COMMERCIAL TRENDS

- When looking at higher time frame (weekly) charts, one must spend some time analyzing the net positions of the large commercial traders.
- Are they moving higher or lower overall?
- If price is moving higher on the weekly charts you want to wait for the commercial traders to be net long or extremely lightening up on their net short positions.
- The trend on the weekly chart and the swings from net long to net short are very easy to spot and determine for long to intermediate term trend/direction.

- Looking for trades in this trend or directional bias will further increase your odds of capturing trades with large institutional sponsorship behind the moves.

TRADING THE NEWS

- News reports are basically volatility injections. Do not fear the news, but respect it. There are certain ones that you may want to avoid like Non-Farm Payrolls (NFP).
- One of the most difficult ways to trade the markets is to try and trade the news releases themselves.
- The internet is littered with so-called robots or programs designed to quickly give you trading profits on the knee jerk reactions to the news. This is pure and simple **GAMBLING**.
- We can never know for sure what the numbers will be in the reports and to guess is just ridiculous.
- However, we can wait for the release and watch the reaction and many times a signal will form shortly after the release.. often it is the opposite direction to the intended news hawks.
- Use news releases for injections in volatility and to fuel trade ideas based on price action.

KEY MARKET MOVING INDICATORS

- Have these releases on your calendar and know when they are going to be coming out. Look for signals prior to the report or shortly afterwards. These will move the market considerably.
- **UK - BRITISH POUND:**
  - BoE Rate Decision
  - Retail Sales
  - Consumer Prices
  - Claimant Count
  - GDP (Gross Domestic Product)
  - Industrial Production
- **US - The U.S. Dollar:**
  - The Federal Reserve's Rates
  - Retail Sales
  - Consumer and Producer Prices
  - Non-Farm Payrolls (NFP) - Avoid this, do not touch it
  - Gross Domestic Product (GDP)
  - Trade Balance
  - Consumer Confidence Reports
  - Service and Manufacturing ISM
- **Germany - The Euro:**
  - ECB Rate Decision
  - German IFO (Business Confidence)
  - German Unemployment
  - German Consumer Prices
  - German GDP (Gross Domestic Product)
  - Manufacturing and Service Sector PMI
- Plan for these news impacts.
- For more information on this topic (news) and that of interest rates, watch Chris Lori's "Inside The Banks" webinar.

FUTURES MARKET

30 YEAR TREASURIES & T NOTES

- The bond market is a big market and it provides so much insight & leading information.
- Futures should be monitored daily, this market can tell you everything you need to know in any market asset class if you understand it.

10 YEAR TREASURY NOTES

- Watch the yield on this as an early warning tool.
- As the 10 year notes rally up in price, this means the bond yield is declining.
- As the 10 year notes decline in price, this means the bond yield is increasing.
- The inverse relationship can be tricky, but after studying it for a few weeks it will become clear.
- Trading the GBP/USD and EUR/USD, you should track the German 10 year bonds as well.

5 YEAR TREASURY NOTES

- Watch the yield on this as an early warning tool.
- As 5 year notes rally up in price, this means the bond yield is declining.
- As 5 year notes decline in price, this means the bond yield is increasing.
- You should track the German 5 year bonds as well.

2 YEAR TREASURY NOTES

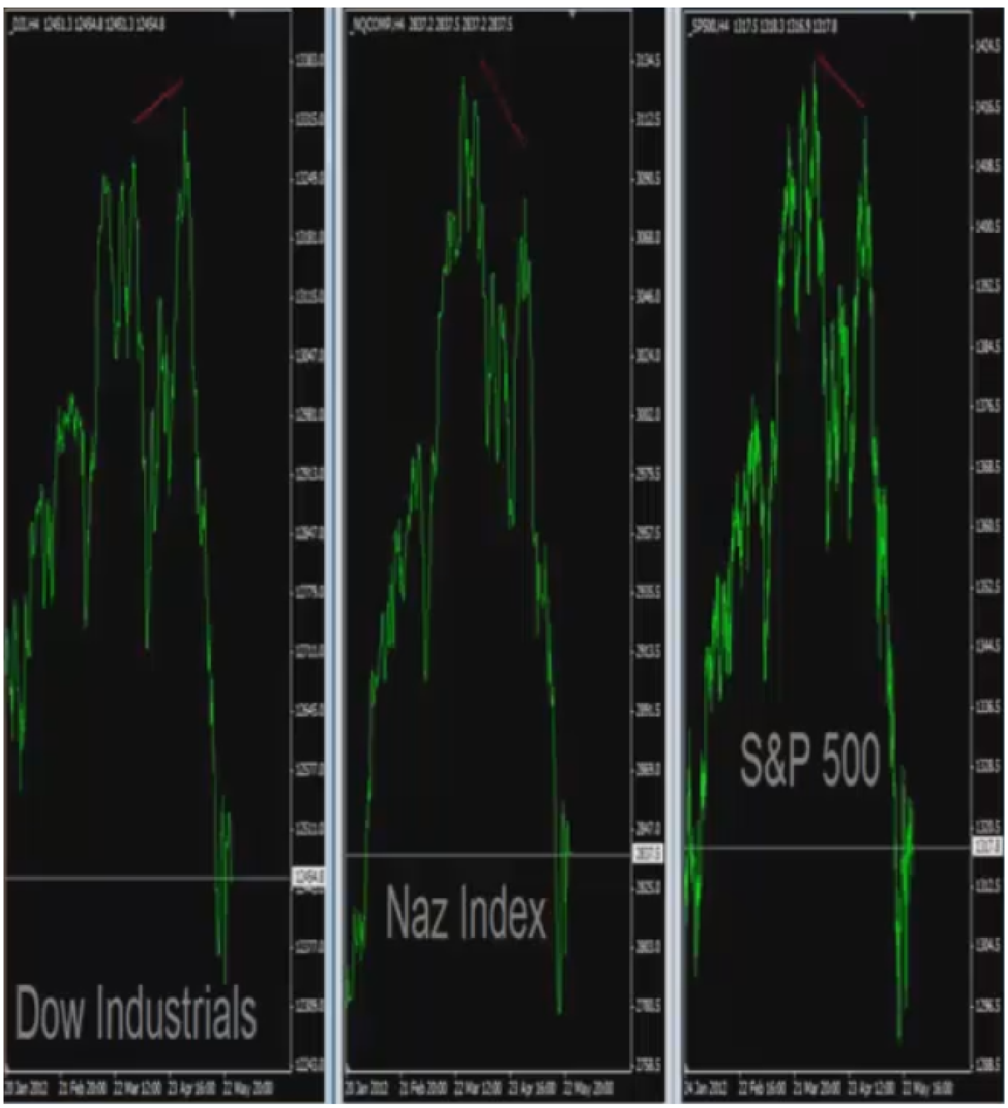
- Watch the yield as an early warning tool.
- As 2 year notes rally up in price, this means the bond yield is declining.
- As 2 year notes decline in price, this means the bond yield is increasing.
- Track the German 2 year bonds as well.

US DOLLAR INDEX

- Monitor the cash basis USDX in the futures market.
- Use SMT concepts to spot diverging highs and lows between the USDX and relative price points in the Fiber & Cable.
- You can look for Bond and USDX SMT divergence as well.

MAJOR STOCK MARKET INDICES

- Major stock market indices can be used to gauge long term price swings.
- If we are failing at highs on the daily charts as we see in the image below, this suggests a possible "risk off" scenario.. expect weaker stock prices and possibly weaker foreign currencies.
- The USDX will confirm this with a rally at support at this same juncture. Simply reverse the concept for "risk on" scenarios.
- The markets as a whole are interconnected and it pays to monitor them and hunt for clues.



CRB COMMODITY INDEX

- The CRB Index [Cash] is used to monitor commodity prices and typically you will see an inverse relationship between the CRB Index and USDX.
- Confirm a swing higher in USDX, while shorting Fiber/Cable, with a CRB decline.
- The CRB Index tends to be a bit early and can warn of possible long term shifts in trend.
- It's a dynamite tool to use for major market analysis and pinning down long to intermediate term directional bias.

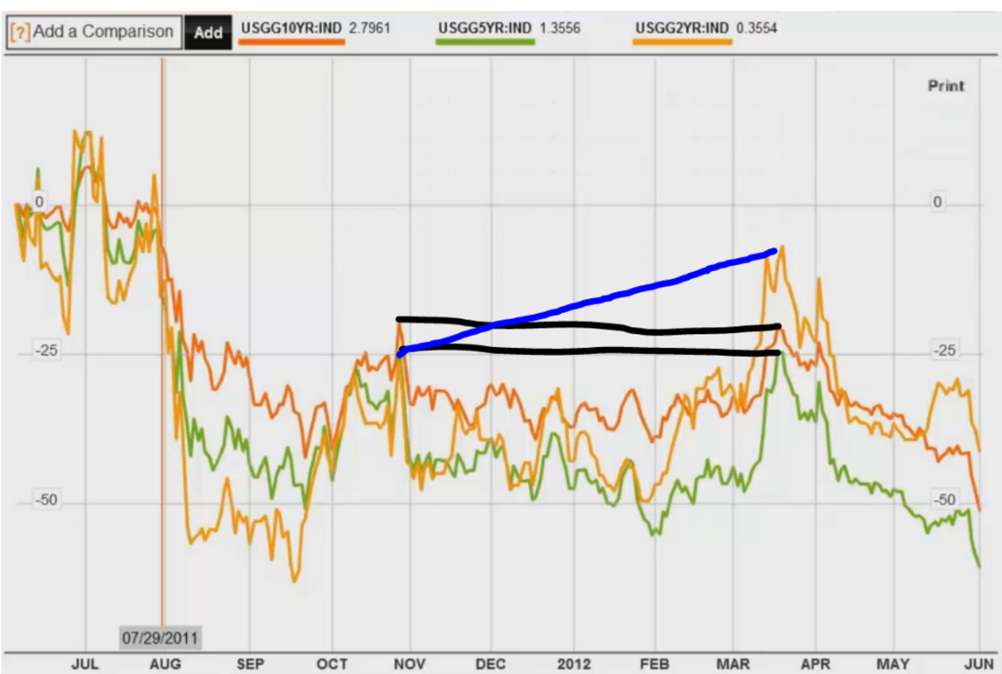
- Oil & Gold can be barometers for "risk on" and "risk off" scenarios.

T-NOTE YIELDS

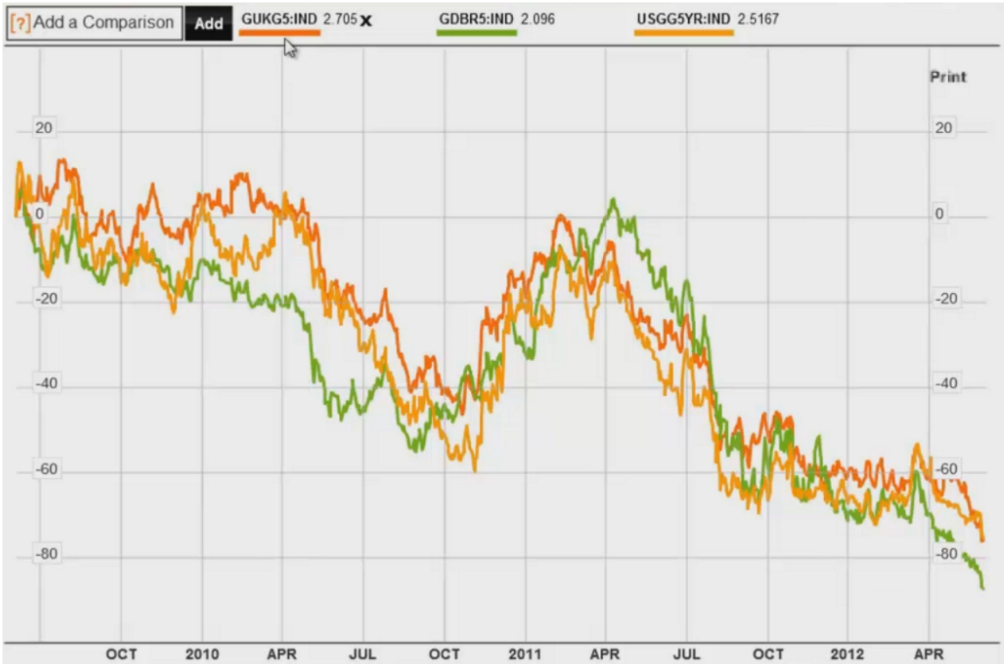
- This is not the t-note prices, it is the yields, which is an inversion of the t-notes futures charts.
- This chart will basically mirror what foreign currencies should be doing.
- As the yields are **increasing**, that is **bullish** for **foreign** currencies.
- As the yields are **declining**, that is **bearish** for **foreign** currencies.
- This means as these go up, the Cable/Fiber will also go up.
- When they go down, the Cable/Fiber will also go down.
- This is on a daily basis so it will basically give you a buy program or a sell program.
- On the chart below, February is the beginning of a buy program and mid-March-April is the termination of the buy program/beginning of a sell program.
- There is typically a 3-4 month cycle with the yields.



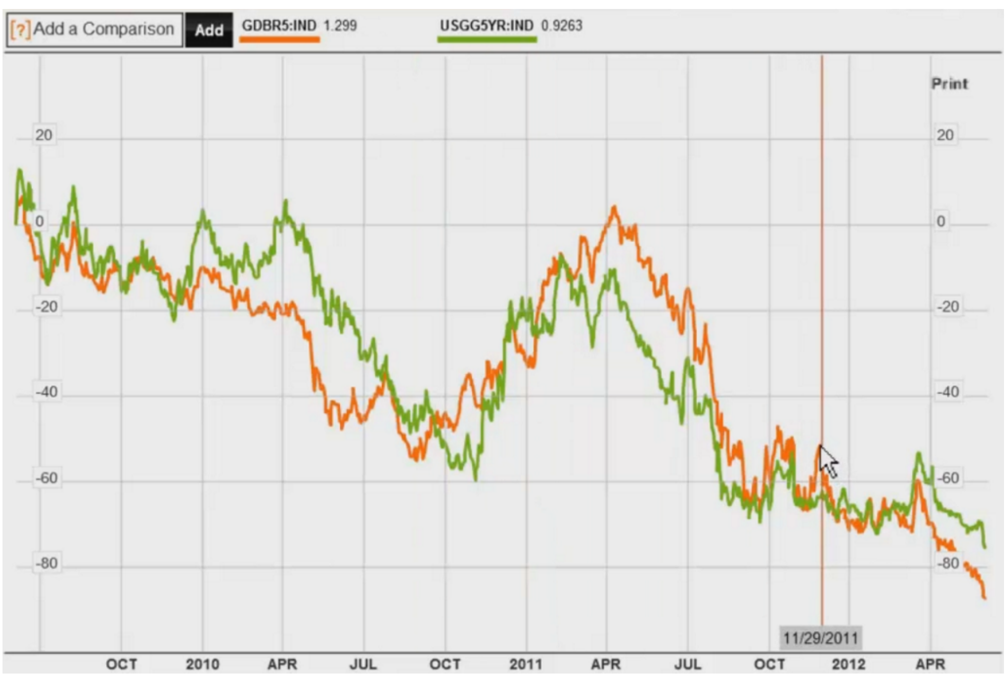
- The divergence below is a reason to start looking for other reasons to support a decline in yields/decline in foreign currencies and a rally in the U.S. Dollar Index. This led to a precipitous slide in the Cable and Fiber.



- Below is a chart of the UK 5 year note, German 5 year note, & US 5 year notes.
- In the same time frame the US 5 year note was higher respectively while the UK and German 5 year notes were lower in comparison.

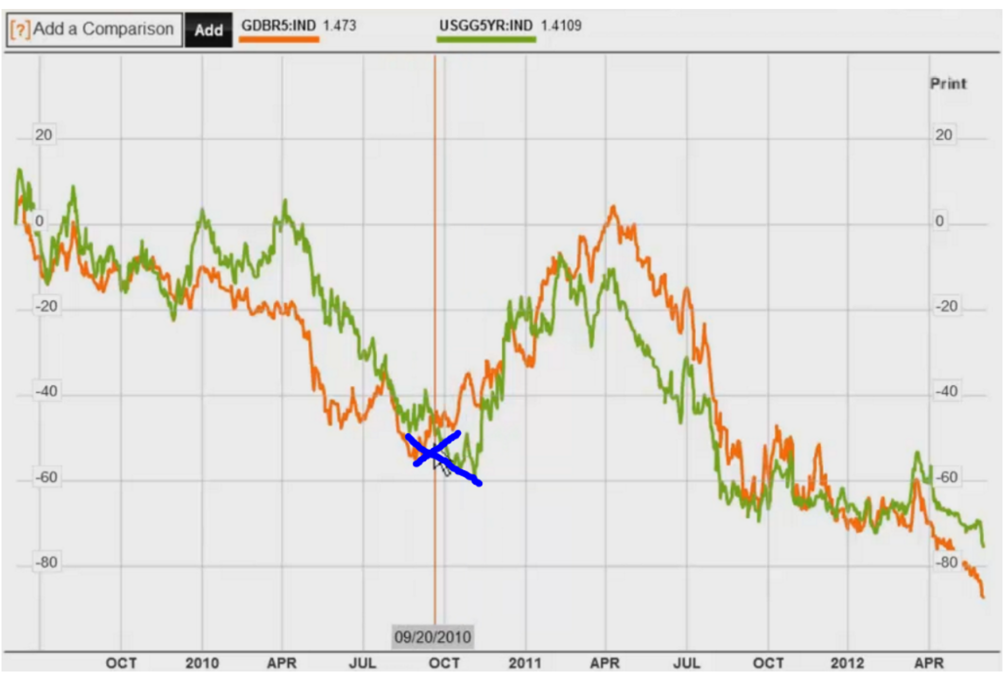


- Below you can see the clear divergence between the German 5 year note and US 5 year note for the same time frame. Afterwards they slid downwards together. This is a yield SMT divergence.





- Below you can see the opposite signal, which would lead to buy signals in Cable & Fiber. After this divergence below, both yields increased together.
- This is measuring market sentiment because you are chasing the yield and the market is always going to be seeking yield. If the yields are increasing that is bullish for major currencies and bearish for the U.S. Dollar and vice versa.



- Below is yet another sell signal on this same chart.



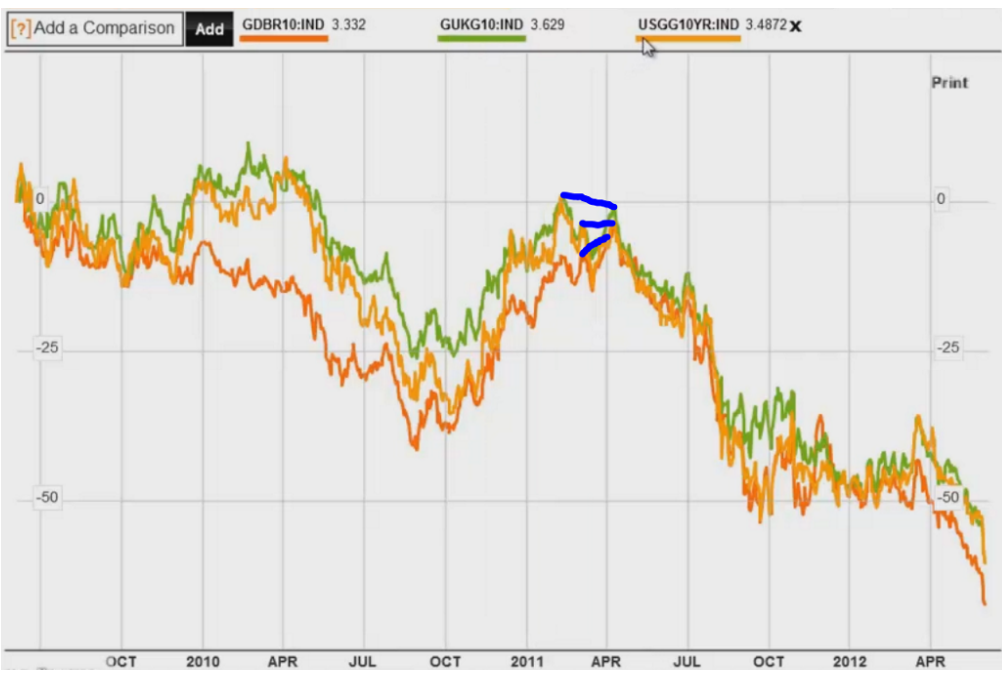
- Below is yet another example of the beginning of a sell program on yet the same chart.

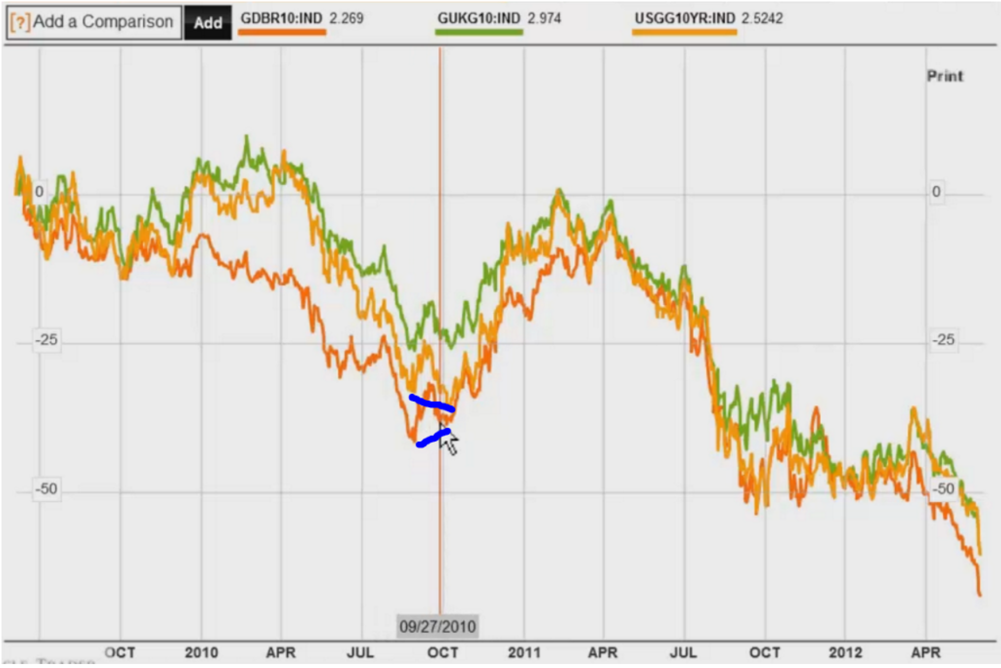


- You can also look at 10 year comparisons, below is an example of the 10 year German, UK, & US yields



- From the chart above the German 10 year note was making higher highs while the UK & US 10 year notes were failing to make that higher high.





- When the yields are going up, the foreign currency markets will be trailing in sympathy because they seek yield.
- There will be a flight to safety (U.S. Dollar) as the yields are falling downwards.

RISK ON	RISK OFF
Rates/Yields Rising	Rates/Yields Declining
Bonds Have No Demand	Bonds In demand
USDX Declining	USDX Rising
Stocks Rising	Stocks Declining
CRB Rising	CRB Declining
Currency Majors Rising	Currency Majors Declining

- This is a good way to keep yourself in sync with the overall macro-economic view.
- When you see divergences with the yields, that's when you want to start looking at your charts for top/bottom formations and reversal scenarios.
- Seasonal tendencies, cyclical analysis, & yield analysis are useful for directional bias.
- The cornerstone to your success in trading will be your patience in determining higher time frame key support & resistance levels.. and waiting for the setups to form at those same levels.
- Once you have directional bias based on major market analysis.. you identify key price levels from the H1 chart up to the monthly. Nothing less than a 60 minute chart and ideally daily basis is optimal.
- Determine monthly, weekly, previous days, session highs & lows.. as well as pivot levels and Asian Range highs & lows.

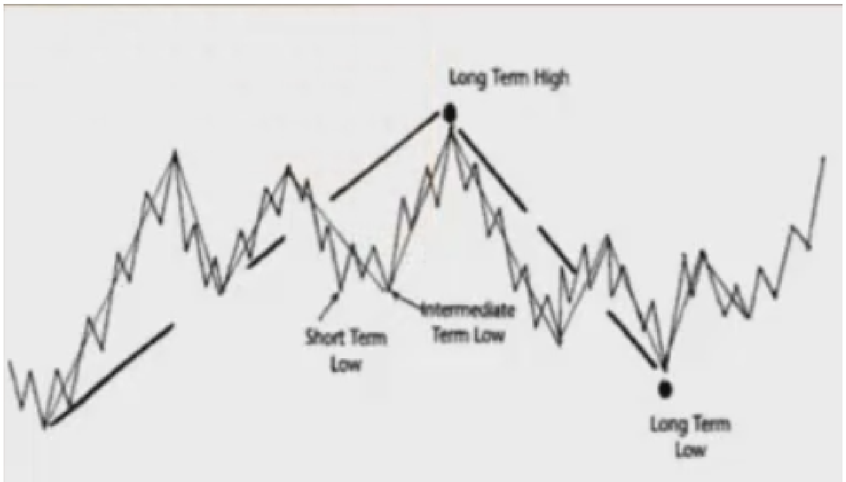
MARKET SENTIMENT

- When deciding to take action in the market it is important to remain on the side of the market that is the minority. Trade against the majority.
- Looking for trades when the market is by all appearance bullish when you want to short is ideal and when it looks bearish do your buying.
- The intraday Judas Swing for example.. is a sentiment play and used to quantify an entry, in the opposite direction.

MARKET STRUCTURE

- Hunt intermediate term price swings.
- The ideal setups for trading low risk, high probability swings.. is to limit your consideration to only trading the

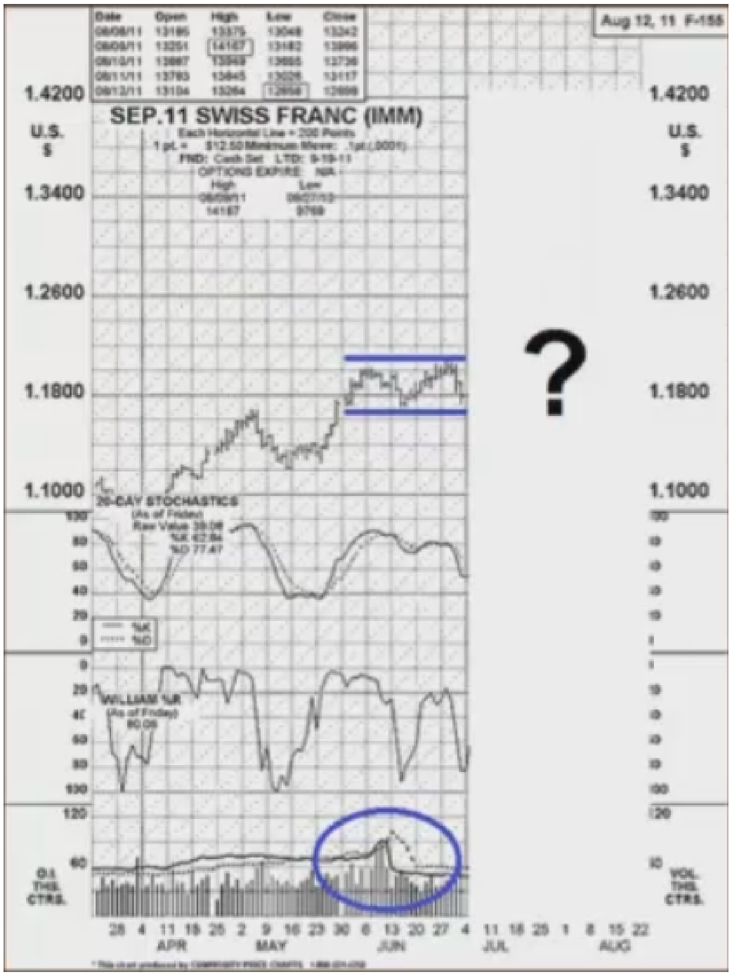
intermediate term highs for shorts and intermediate term lows for longs.
- Taking short term scalps and or day trades in that same direction is advised. Your trading plan is not to capture every move in the market.. just the easy low hanging fruit.
- Using daily, H4, and H1 market structure and nesting fractals can be a wildly profitable price action approach.. this is ICT's core price action concept.



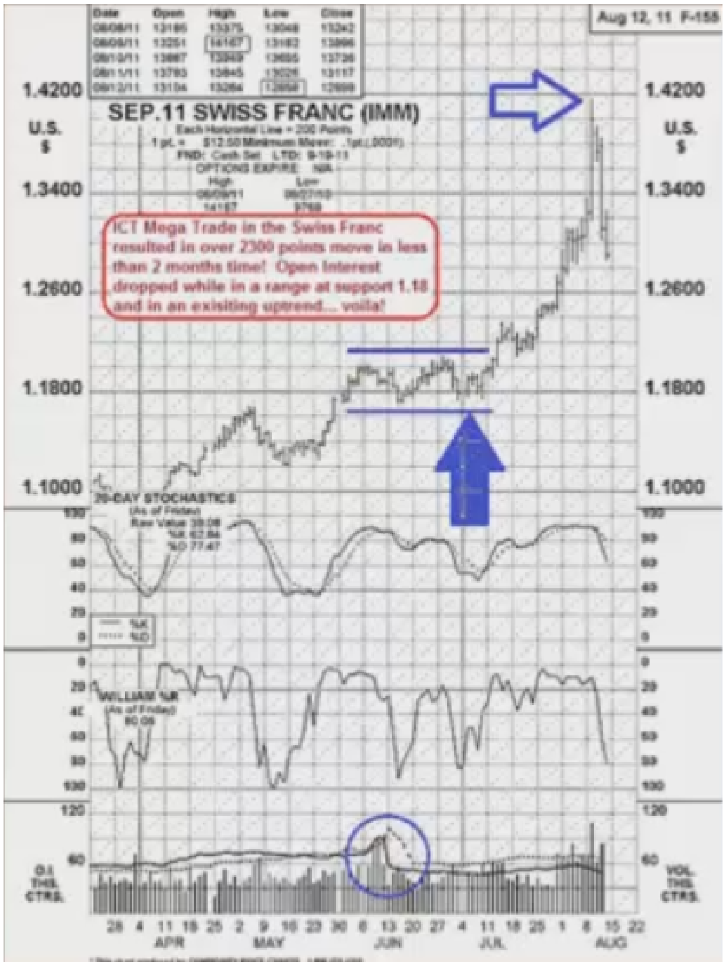
OPEN INTEREST & PREMIUMS
- Open Interest reflects smart money.
- Open Interest is only found in the futures market.
- Price was in an uptrend and ran up into a trading range/consolidation and then open interest drops off precipitously (noted in the circle below). That is open interest declining while the market is in a range. This can tip the hands of the "smart money" if you understand what to look for.
- If the open interest drops off 20% or more rapidly, this is attributed to commercial **short covering**. If open interest increases 20% or more rapidly in a consolidation, this is commercial **short selling**.
- If open interest declines that means they are lightening up aggressively on their shorts because they anticipate price going higher.

Premium: The near buy contract is selling at a higher price than the next month out in the future (futures market).

- When you have a premium in the Futures contracts and open interest drops off.. this is a near perfect scenario.. buy it!! There is a high demand for that particular commodity or currency.



- The mega trade below! Open interest dropped while in a range at support and in an existing uptrend.. voila!
- This is not limited to the Swiss Franc.. You can use it on the USDX, CAD, AUD, GBP, JPY, EUR.



- Maintaining a focus on the weekly, daily, and possibly the H4 time frames will keep your trading in the highest probable direction.
- Look for support or resistance on these levels to determine where price is trying to "reach" to. If price is trading lower on the daily, look for an old low or high on the left side of your chart to determine if there is time and price available for a trade given that directional bias.
- Reverse for looking for buy setups. The main point is to keep the higher time frame in your trading, it really does pay off.

RISK ON, RISK OFF

- Start with the interest rates. Are we seeing the yields dropping or increasing? Is there weakness or strength in the stocks, commodity, and treasuries? Is Gold and or Oil giving you any clues?
- Is the USDX confirming recent highs or lows comparable to the interest rates? Are there any market reports due that might change the current market tone?
- The more the other asset classes confirm or negate your trading idea the better. Risk off and the U.S. Dollar rallies, risk on and it slides.

ANTICIPATORY STAGE OF ANALYSIS

- This is the stage where you will spend the majority of your time. It is on the weekly and daily time frames. Since the trades are based on these higher time frames, there might be a few days or so before a trade actually sets up. This is a good thing.
- You want to track interest rates, COT, major market indices, seasonal tendencies, key S/R levels and intermarket analysis with correlated assets.
- This stage of analysis is the foundation to a successful trading career.

EXECUTION STAGE OF ANALYSIS

- This is the stage of analysis where you hunt setups based on the insights and conclusions you arrived at in the anticipatory stage of analysis.
- Risk On - look for setups to buy currencies and confirm these setups with higher moving or poised to rally stock indices, CRB, Oil, Gold, & SMT concepts.
- Risk Off - look for setups to sell currencies and confirm these setups with lower moving or poised to decline stock indices, CRB, Oil, Gold, & SMT concepts.

<u>MANAGEMENT STAGE OF ANALYSIS</u>

- The stage of analysis that requires your concepts for trade management on open positions. The management of stop loss orders, limit orders, initial profit objectives, and scaling later portions.
- Your trading plan must have clear concepts and techniques for the process you will adhere to when managing open positions. This stage is crucial for consistency and longevity.
- You can find wonderful setups, enter at optimal entry points, and still mismanage the trade in this stage and find your results bring with it loss and regret.

<u>REACTIONARY STAGE OF ANALYSIS</u>

- This stage of analysis is seen when your trades are open and you suspect or clearly see reasons to collapse the trade and cut your losses or take what profits you have open.
- There must be clear parameters in your trading plan that would invoke an immediate trade termination and abort on your original trade idea.
- This might be the result of a report or news event, global catastrophe, and/or you realize you were human and essentially.. **WRONG**.

<u>DOCUMENTATION STAGE OF ANALYSIS</u>

- This stage of analysis is where you record in your journal what your trade idea was based on. What tools you used and why. Screenshots and how you felt going into the trade, while the position was open, and what made you nervous.
- The results of the trade should be documented and reflection on the trade plan. Was it adhered to from beginning to end? Document any lessons learned from the trade and what you would have liked to have done differently. Determine what leverage and or lot size your next trade will be using. You need to enjoy this good or bad.
- Keep these records and refer to them when you experience a period of drawdown and/or string of losses. It will remind you that temporary losing streaks come and go.